ORDINANCE NO. 024-122

AN ORDINANCE AUTHORIZING A THIRD AMENDMENT TO A CONTRACT WITH INTERSECTION MEDIA, LLC FOR ADVERTISING SERVICES

WHEREAS, The Chicago Transit Authority ("Authority") seeks to generate revenue through the sale of advertising on the Authority's buses and trains as well as at rail stations and other designated Authority locations; and

WHEREAS, Pursuant to a Request for Proposals under Requisition No. B19OP01781, the Authority awarded a revenue-generating contract to Intersection Media, LLC ("Intersection") for advertising services for five years with one five-year option, as authorized by Ordinance No. 019-119; and

WHEREAS, The COVID-19 pandemic had a significant negative impact on revenue generated by advertising, and on July 14, 2021 the Chicago Transit Board approved an amendment to the contract which reduced the total contract amount, per Ordinance No. 021-77, and the contract was further amended on August 24, 2022; and

WHEREAS, The Authority intends to exercise the five-year option with a new contract expiration date of December 31, 2029, and to further amend the contract to reflect the long-term shift in the out-of-home advertising industry that has resulted from the COVID-19 pandemic; and

WHEREAS, Amending the contract terms will allow the Authority to continue with a strong and committed partner as an advertising contractor by making the contract financially sustainable for both parties; and

WHEREAS, Amendment No. 3 replaces the complex Minimum Annual Guarantee (MAG) formula that was put in place during the height of the pandemic with a flat MAG of $22,800,000.00, which increases by 2.5% each year, and restructures the revenue share calculation to create a structure that retains the Authority's 72% revenue share for all revenues up to $24,000,000.00, then tiers to 66% of revenues between $24 million and $30,000,000.00 and 60% of revenues above $30,000,000.00, which incentivizes Intersection to maximize sales revenue; and

WHEREAS, Intersection will make a direct investment in the Authority's advertising infrastructure each year between 2027 and 2029, before revenues are split in each of those years, and any additional capital expenditures under the contract will be mutually agreed upon by the Authority and Intersection and will be shared 35% by the Authority and 65% by Intersection; and

WHEREAS, Additional changes to the schedule of payments and the required Letter of Credit have also been negotiated, and the manner in which Disadvantaged Business Enterprise (DBE) participation goals will be calculated has been revised; now, therefore:

BE IT ORDAINED BY THE CHICAGO TRANSIT BOARD
OF THE CHICAGO TRANSIT AUTHORITY:

SECTION 1. The Chairman of the Chicago Transit Board, the President of the Authority, and the Vice President of Purchasing and Supply Chain, or their designees, are hereby authorized to execute Amendment No. 3 to the revenue-generating contract with Intersection Media, LLC for advertising services which provides for a flat Minimum Annual Guarantee (MAG) of Twenty-Two Million Eight Hundred Thousand Dollars ($22,800,000.00) with two and a half percent (2.5%) annual increases; restructures the revenue share calculation which provides that the Authority will retain seventy-two percent (72%) of all revenues up to Twenty-Four Million Dollars ($24,000,000.00), sixty-six percent (66%) of revenues between Twenty-Four Million Dollars ($24,000,000.00) and Thirty Million Dollars ($30,000,000.00), and sixty percent (60%) of revenues above Thirty Million Dollars ($30,000,000.00); provides that Intersection will make capital expenditures of One Million Dollars ($1,000,000.00) per year for three years beginning in 2027, or earlier if Intersection so chooses, and that additional capital expenditures will be mutually agreed upon and shared thirty-five percent (35%) by the Authority and sixty-five percent (65%) by Intersection; and contains changes to the schedule of payments, letter of credit requirements, and calculation of DBE participation goals, for a reduction in revenue of Ten Million Six Hundred Forty-Four Thousand Seven Hundred Sixty-Three Dollars ($10,644,763.00) and a revised contract amount of Three Hundred Sixty-Nine Million Six Hundred One Thousand Six Hundred Twenty-Six Dollars ($369,601,626.00) for a term through December 31, 2029.

SECTION 2. The Chairman, President, and Vice President of Purchasing and Supply Chain, or their designees, are further authorized to take such actions and execute such documents as may be necessary to implement the objectives of this ordinance.

SECTION 3. This ordinance shall be in full force and effect from and after its passage.

APPROVED: PASSED:

Chairman	Secretary
September 11, 2024	September 11, 2024